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## Mexico

Dairy and Products

### Semi-Annual Report

2005

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**Report Highlights:**

Imports of butter are forecast slightly higher as social feeding programs reconstitute greater volumes of skim milk powder at the expense of whole milk powder imports. Fluid milk imports are also higher than previously forecast as processors and the government's parastatal milk corporation increase their purchases of domestically produced milk.

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Includes PSD Changes: Yes  
Includes Trade Matrix: No  
Semi-Annual Report  
Mexico [MX1]  
[MX]

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## Executive Summary

**Dairy Situation and Outlook:** Mexico's fluid milk production for CY 2005 is adjusted slightly upwards from our previous forecast reflecting the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA)'s higher forecast and an expected increase in goat milk production.

Imports of fluid milk are forecast higher as users in border areas seek alternative supplies to compensate for fluid milk that is bid away by processors and the government's parastatal milk corporation Leche Industrializada CONASUPO (LICONSA). Imports of butter are also expected to increase as LICONSA expands its use of butterfat for reconstituting skim milk powder.

Mexico continues with the ban on imported dairy cattle from the United States and Canada. Imports of dairy cattle from Australia went from 2,507 head in CY 2003 to 29,567 head in CY2004. Dairy cattle imports from New Zealand have also increased from 1,719 head in CY 2003 to 6,094 head in CY2004. Mexico does, however, continue to import U.S. and Canadian semen and embryos since these products are not affected by the ban.

Note: Currently, the Mexican peso is valued at US\$10.89

## Production

The forecast of fluid milk production for CY 2005 is up slightly from the previous forecast, reflecting an expected increase in the production of goat milk for candy and cheese production, as well as a slight increase in the official milk production forecast. The estimate of 2004 cow and goat milk production reflects official data and less than expected production in southern Mexico due to moderately dry conditions.

### Cheese

No change from our previous report. (See MX4121)

### Butter

No change from our previous report. (See MX4121)

### Non-Fat Dry Milk (NFDM)

No change from our previous report. (See MX4121)

### Whole Milk Powder (WMP)

No change from our previous report. (See MX4121)

## Consumption

### Fluid Milk

CY 2005 fluid milk consumption is expected slightly higher reflecting the rise in fluid milk imports and consumption in border areas. Consumer prices in Mexico currently range from 7.36 pesos per liter for pasteurized milk (US\$0.67) to 8.14 pesos per liter of UHT milk (US\$0.75). More widespread consumption of fluid milk continues to be hampered by problems with sanitation, transportation, and processing capacity, although supplies and quality are continually improving.

Mexico's public sector milk distribution parastatal (LICONSA) continues to play a major role in the procurement and distribution of milk to Mexico's poor. LICONSA imports large volumes of milk powder but is also expected to procure as much domestic fluid milk as possible in an effort to reduce its dependence on imports. Depending on the region, poor infrastructure, quality issues or strong demand from processors and consumers have made it difficult for LICONSA to expand its domestic procurement. It's estimated that LICONSA distributes almost 3.3 million liters of subsidized milk per day at the current price of 3.50 pesos per liter (US\$0.30).

### Cheese

Estimates of cheese consumption are largely unchanged from our previous report. (See MX 4121)

### Butter

Combined butter and butterfat consumption for CY 2005 and CY 2004 is estimated upwards from our previous estimates due to increased demand from bakeries, confectioners,

LICONSA, and other dairy food processors. The estimate for CY 2003 has been revised upwards to reflect official data from SAGARPA.

#### Non-fat Dry Milk

No change from our previous report. (See MX4121)

#### Whole Milk Powder

Whole milk powder (WMP) consumption for CY 2005 and CY 2004 is estimated downward from our previous estimates stemming from the drop in imports of WMP. LICONSA, to save costs has started using domestic and imported butterfat to reconstitute skim milk powder to full fat milk for its social programs at the expense of WMP imports. According to LICONSA, over 60 percent of the WMP and NFDM is consumed by the poor.

### Trade

#### Fluid Milk

Fluid milk imports for CY 2005 and CY 2004 (reflects official data) are estimated upwards from our previous estimates as retailers along the border source larger volumes of fluid milk from the United States to compensate for domestic supplies that are being bid away by processors in the interior of Mexico as well as LICONSA's increased purchasing of fluid milk.

#### Cheese

Imports for CY 2004, which reflect official data, are revised slightly upwards due to increased demand from restaurants, fast food outlets and consumers in general.

#### Butter

Imports for CY 2005, are estimated upwards from our previous forecast as LICONSA has increased its purchases of imported butterfat to reconstitute NFDM to full fat milk for its social programs. Imports for CY 2004 reflect official data. Note: Mexican trade data do not distinguish between butter and butterfat.

#### Non-Fat Dry Milk

No change from our previous report. (See MX4121)

#### Whole Milk Powder

Mexico continues to be far from reaching self-sufficiency in WMP production because of limited domestic processing capacity. Imports for CY 2005 and CY 2004 are estimated downwards from our previous estimates given LICONSA's emphasis on purchasing domestic fluid milk and using domestic and imported butterfat to reconstitute NFDM to full fat milk for its social program. The CY 2004 estimate reflects official data.

### Stocks

#### Non-Fat Dry Milk

No change from our previous report. (See MX4121)

**Policy**

Fluid Milk

No change from our previous report. (See MX4121)

**Marketing**

No change from our previous report. (See MX4121)

## Statistical Tables

PSD Table						
Country:	Mexico					
Commodity:	Dairy, Milk, Fluid (1000 Metric Tons)					
	2003		2004		2005	
	Old	New	Old	New	Old	New
Calendar Year Begin	01/2003		01/2004		01/2005	
Cows In Milk	6800	6800	6800	6800	6850	6850
Cows Milk Production	9784	9784	9900	9874	10020	10063
Other Milk Production	140	140	140	155	140	155
TOTAL Production	9924	9924	10040	10029	10160	10218
Intra EC Imports	0	0	0	0	0	0
Other Imports	58	58	55	70	50	60
TOTAL Imports	58	58	55	70	50	60
<b>TOTAL SUPPLY</b>	9982	9982	10095	10099	10210	10278
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Fluid Use Dom. Consum.	4352	4352	4345	4349	4400	4468
Factory Use Consum.	5630	5630	5750	5750	5810	5810
Feed Use Dom. Consum.	0	0	0	0	0	0
TOTAL Dom. Consumption	9982	9982	10095	10099	10210	10278
<b>TOTAL DISTRIBUTION</b>	9982	9982	10095	10099	10210	10278

PSD Table						
Country:	Mexico					
Commodity:	Dairy, Cheese (1000 Metric Tons)					
	2003		2004		2005	
	Old	New	Old	New	Old	New
Calendar Year Begin	01/2003		01/2004		01/2005	
Beginning Stocks	0	0	0	0	0	0
Production	126	126	130	130	132	132
Intra EC Imports	0	0	0	0	0	0
Other Imports	78	78	80	82	85	85
TOTAL Imports	78	78	80	82	85	85
<b>TOTAL SUPPLY</b>	204	204	210	212	217	217
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	204	204	210	212	217	217
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	204	204	210	212	217	217
TOTAL Use	204	204	210	212	217	217
Ending Stocks	0	0	0	0	0	0
<b>TOTAL DISTRIBUTION</b>	204	204	210	212	217	217

PSD Table						
Country:	Mexico					
Commodity:	Dairy, Butter (1000 Metric Tons)					
	2003		2004		2005	
	Old	New	Old	New	Old	New
Calendar Year Begin	01/2003		01/2004		01/2005	
Beginning Stocks	0	0	0	0	0	0
Production	74	77	80	80	80	80
Intra EC Imports	0	0	0	0	0	0
Other Imports	40	40	40	53	40	50
TOTAL Imports	40	40	40	53	40	50
<b>TOTAL SUPPLY</b>	114	117	120	133	120	130
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Domestic Consumption	114	117	120	133	120	130
TOTAL Use	114	117	120	133	120	130
Ending Stocks	0	0	0	0	0	0
<b>TOTAL DISTRIBUTION</b>	114	117	120	133	120	130

PSD Table						
Country:	Mexico					
Commodity:	Dairy, Dry Whole Milk Powder				(1000 Metric Tons)	
	2003		2004		2005	
	Old	New	Old	New	Old	New
Calendar Year Begin	01/2003		01/2004		01/2005	
Beginning Stocks	0	0	0	0	0	0
Production	0	0	0	0	0	0
Intra EC Imports	0	0	0	0	0	0
Other Imports	45	45	45	35	45	35
TOTAL Imports	45	45	45	35	45	35
<b>TOTAL SUPPLY</b>	45	45	45	35	45	35
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	45	45	45	35	45	35
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	45	45	45	35	45	35
TOTAL Use	45	45	45	35	45	35
Ending Stocks	0	0	0	0	0	0
<b>TOTAL DISTRIBUTION</b>	46	46	45	35	45	35

**PRODUCTION OF FLUID MILK BY STATE**  
(000 LITERS)

STATES	2004	2005*	% Change
AGUASCALIENTES	402,541	405,000	0.61
BAJA CALIFORNIA	208,752	218,358	4.60
BAJA CALIFORNIA SUR	42,982	43,448	1.08
CAMPECHE	33,270	32,000	(3.96)
COAHUILA	1,087,526	1,126,352	3.57
COLIMA	34,384	35,118	2.13
CHIAPAS	300,050	322,858	7.60
CHIHUAHUA	784,031	812,608	3.64
MEXICO CITY	13,039	12,983	(0.43)
DURANGO	958,776	948,120	(1.12)
GUANAJUATO	664,786	650,700	(2.16)
GUERRERO	78,036	85,166	9.13
HIDALGO	411,105	428,872	4.32
JALISCO	1,701,291	1,714,426	0.77
MEXICO	490,145	483,370	(1.40)
MICHOACAN	312,874	326,679	4.41
MORELOS	17,798	18,092	1.65
NAYARIT	67,438	65,399	(3.11)
NUEVO LEON	41,441	37,989	(9.08)
OAXACA	143,180	141,232	(1.37)
PUEBLA	364,452	372,542	2.21
QUERETARO	209,328	221,115	5.63
QUINTANA ROO	4,590	3,453	(32.92)
SAN LUIS POTOSI	144,523	154,080	6.61
SINALOA	77,243	84,695	9.64
SONORA	136,375	152,717	11.98
TABASCO	99,432	111,497	12.13
TAMAULIPAS	30,015	34,503	14.95
TLAXCALA	141,560	133,968	(5.66)
VERACRUZ	719,360	720,187	0.11
YUCATAN	7,749	7,082	(9.41)
ZACATECAS	145,684	158,035	8.47
TOTAL	9,873,755	10,062,645	1.91

SOURCE: Agriculture Secretariat (SAGARPA)

\*SAGARPA's forecast figures for January to December 2005

**MEXICO'S MONTHLY FLUID MILK PRODUCTION**  
(000 LITERS)

MONTH	2004	2005	% Change
JANUARY	746,674	745,750	(0.12)
FEBRUARY	747,800	744,482	(0.44)
MARCH	765,109	N/A	N/A
APRIL	763,177	N/A	N/A
MAY	800,716	N/A	N/A
JUNE	807,373	N/A	N/A
JULY	858,744	N/A	N/A
AUGUST	919,976	N/A	N/A
SEPTEMBER	932,720	N/A	N/A
OCTOBER	864,940	N/A	N/A
NOVEMBER	839,771	N/A	N/A
DECEMBER	826,755	N/A	N/A
TOTAL	9,873,755	N/A	N/A

SOURCE: Agriculture Secretariat (SAGARPA)

**AVERAGE MILK PRICES PAID TO PRODUCERS IN MEXICO PER MONTH**  
(PESOS PER LT.)

MONTH	2004	2005	VAR. %
January	3.37	3.40	0.09
February	3.38	3.41	0.08
March	3.36	3.39	0.09
April	3.50	N/A	N/A
May	3.50	N/A	N/A
June	3.55	N/A	N/A
July	3.55	N/A	N/A
August	3.60	N/A	N/A
September	3.27	N/A	N/A
October	3.26	N/A	N/A
November	3.34	N/A	N/A
December	3.39	N/A	N/A

SOURCE: Agriculture Secretariat (SAGARPA)